

AR87

# 2006 annual report



## ABOUT BULLDOG

*Bulldog is a Calgary based oil and natural gas company engaged in the exploration, acquisition, development and production of oil and natural gas reserves in the Western Canadian Sedimentary Basin. Our current operations are focused on light oil projects in Southeast Saskatchewan. We commenced operations on November 30, 2005 as a result of the Plan of Arrangement between Bulldog Energy Inc. and Crescent Point Energy Trust. The Plan of Arrangement, through a series of transactions, resulted in Bulldog Energy shareholders exchanging their shares for units of Crescent Point and common shares of Bulldog Resources.*

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## Bulldog Resources Inc. 2006 Annual Report

## 2006 HIGHLIGHTS

*Bulldog's  
growth has  
been driven  
by successful  
exploration  
and exceptional  
execution in  
the development  
of new pool  
discoveries.*

	2006
<b>FINANCIAL</b> (000's except per share)	
Revenues	\$ 19,823
Cash flow	\$ 14,736
Per share - basic	\$ 0.61
Per share - diluted	\$ 0.58
Net earnings	\$ 7,270
Per share - basic	\$ 0.30
Per share - diluted	\$ 0.29
Net capital expenditures	\$ 20,163
Working Capital	\$ 5,035
Shareholders' equity	\$ 21,486
Common shares outstanding	24,959
<b>OPERATIONAL</b> (units as noted)	
Average daily production	
Oil (barrels per day)	797
Natural gas (mcf per day)	31
Combined (BOE per day)	802
Average price realization (\$Cdn.)	
Oil (per barrel)	\$ 68.00
Natural gas (per mcf)	\$ 4.67
Combined (per BOE)	\$ 67.47
Production expenses (per BOE)	\$ 2.00
Transportation expenses (per BOE)	\$ 1.47
Field net back (per BOE)	\$ 54.60
Cash flow (per BOE)	\$ 50.36
Proven and probable reserves	
Oil & NGL's (barrels)	3,117,000
Natural gas (mcf)	738,000
Combined (BOE)	3,240,000
Finding & Development costs per BOE (including estimated future development costs)	\$ 8.96
Recycle ratio	5.6
Undeveloped land (net acres)	32,200
Wells drilled	
Gross	29
Net	15.33
Average working interest	53%
Success rate	95%

## Report to Shareholders

## TO OUR SHAREHOLDERS

In our first full year of operations, Bulldog has grown shareholder value dramatically. Our December 31, 2005 reserve net present value of approximately \$10.2 million and initial equity financing of \$4 million was supplemented by an additional \$5.6 million equity financing at \$1.80 per share in 2006. This \$20 million base has increased approximately 6 times to a market capitalization of approximately \$130 million as of mid-March 2007. We are very pleased with our success to date and welcome the challenge of continuing to build shareholder value.

## 2006 – AN OUTSTANDING YEAR OF GROWTH

*In our first year of operations, we achieved significant operational successes which were recognized in the market place through increases in our share price and expanded liquidity.*

In our first year of operations, we achieved significant operational successes which were recognized in the market place through increases in our share price and expanded liquidity.

- 1 Bulldog recorded a 95% success in its drilling program - 24 gross oil wells (12.2 net), 3 cased wells requiring further evaluation (2.35 net) and 2 abandoned wells (0.78 net).
- 1 Our reserves increased substantially from December 31, 2005 - proven reserves net of 2006 production increased nine times to 1.7 million BOE while proven and probable reserves increased approximately six times to 3.24 million BOE. These reserves do not include two acquisitions which Bulldog closed in January, 2007.
- 1 2006 production volumes averaged 802 BOE/day. Bulldog's average production in the fourth quarter of 2006 was 1,261 BOE/day, a seven fold increase from the average in December 2005 of approximately 186 BOE/day.
- 1 Our 2006 capital efficiency, as measured by our finding and development costs per BOE, was outstanding. Bulldog's F&D costs, including the increase in estimated future development costs, were \$14.33 per proven BOE and \$8.96 per proven and probable BOE. The increase in estimated future development costs is \$6.6 million for proven and probable reserves.
- 1 Bulldog established one of the lowest cost structures among junior oil and gas companies. Our 2006 production expenses were \$2.00 per BOE and transportation expenses averaged \$1.47 per BOE.
- 1 Bulldog's light oil production receives premium pricing. Strong oil prices in 2006 combined with Bulldog's efficient operations resulted in a 2006 cash flow netback of \$50.36 per BOE – this result is expected to place Bulldog in the top decile of 2006 industry rankings.
- 1 Bulldog's recycle ratio, based upon proved and probable reserve additions including the increase in estimated future development costs, was 5.6 times. We expect that this exceptional recycle ratio will represent the highest capital efficiency of all junior oil and gas companies.
- 1 2006 cash flow was \$14.7 million resulting in cash flow per share of \$0.61 (per share basic).
- 1 Net earnings were \$7.3 million (\$0.30 per basic share) demonstrating that our exceptional operational successes flowed through to the bottom line.

## Report to Shareholders

- 7 To finance our growth, we raised \$5.6 million in one equity issue in April 2006 and expanded our authorized bank credit facilities to \$25 million in January 2007.
- 7 Bulldog's financial position is very strong. Our proforma December 31, 2006 working capital deficiency (including the two January 2007 acquisitions and excluding the net pipeline liability of \$1.3 million) was approximately \$7.9 million representing less than 4 months of projected 2007 cash flow.
- 7 Bulldog's 2006 share trading expanded to average 72,000 shares/day while the share price is up approximately three times since the beginning of January 2006 to the \$4.70/share range at the time of writing. Analyst coverage has expanded to six brokerage firms.

### FERTILE POOL – AN EXCEPTIONAL EXPLORATION SUCCESS

Our Fertile property, which we operate and own 50%, is a major reservoir of 36 degree API crude oil. This pool is one of the most significant light oil discoveries in Saskatchewan in recent years. In 2006, we drilled 19 horizontal wells (9.2 net) with 100% success and 5 vertical delineation wells (2.25 net) to extend the size of the pool to 3.5 sections. To accommodate our increased fluid production, we expanded our facilities to handle 4,800 bbls/day of oil.

*The Fertile pool  
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The Fertile property will be a major focus for Bulldog in 2007 where we plan to drill 19 horizontal wells (9.0 net) and 2 vertical delineation wells (0.95 net). We continue to drill step-out wells to expand the areal limits of the pool. We will drill wells in locations that will provide optimum data points to contribute to oil in place and recoverable reserve estimates, while further adding production and cash flow.

We have engaged GLJ Petroleum Consultants Ltd. to conduct a Resource Assessment on the Fertile pool. The purpose of the assessment is to estimate a range of the original oil in place and recoverable resources for the field. Completion of the study is expected in the second quarter. The study will be of assistance in formulating development plans for the last half of 2007 and in future years.

### BROWNING – DEVELOPING A SECOND NEW POOL DISCOVERY

Bulldog made a new pool discovery on its Browning property in 2006. We plan on following up the successful vertical and horizontal wells with 2 verticals (2.0 net) and 1 (1.0 net) horizontal well on this property in 2007.

### DRILLING NEW EXPLORATION PROSPECTS IN 2007

Bulldog's growth has been driven by successful exploration and exceptional execution in the development of new pool discoveries. We continue in our quest for new light oil discoveries. Bulldog was very active in 2006 in land and seismic acquisition on new exploration projects. Our focused approach to prospect creation increased our net undeveloped land by 4.8 times to 32,200 acres. This position was expanded to 37,200 acres in January as a result of the property acquisitions.

We intend to test four separate light oil exploration prospects by drilling in 2007. Each of these projects, with drilling success, has the potential to significantly expand our development drilling inventory.

## Report to Shareholders

## JANUARY 2007 PROPERTY ACQUISITIONS

In January 2007, Bulldog, through a series of transactions, acquired certain oil assets of a privately held oil and gas company. The production acquired was 300 Bbbls/day of light oil. Bulldog acquired interests in more than 5,000 net acres of undeveloped land and greater than 17 gross horizontal and vertical drilling locations.

The associated reserves are not included in the December 31, 2006 GLJ Petroleum Consultants Reserve Report.

The properties are located in Bulldog's core operating areas of Southeast Saskatchewan and are near our existing properties. This strategic acquisition increases Bulldog's undeveloped land holdings, reserves, production volumes and cash flow. It expands our drilling opportunities with a diversified inventory of prospects on play types Bulldog has enjoyed previous success.

Later in January, we concluded the purchase of additional partner interests in these properties, on terms equivalent to the original acquisition, and as a result increased our average working interest in the properties to approximately 40%.

Drilling has been initiated on these acquired properties. We expect to drill 10 horizontal (3.5 net) and 1 vertical well (0.25 net) on these lands in 2007.

## STRONG FINANCIAL POSITION

Bulldog commences 2007 in a strong financial position. Our December 31, 2006 proforma undrawn bank credit facility exceeds \$17 million. On the equity side of the ledger, our market capitalization represents approximately \$130 million. This strong financial position, together with significantly higher cash flows, has enabled Bulldog to plan an aggressive \$27 million exploration and development capital expenditure program for 2007. We will also continue to evaluate corporate and property acquisition opportunities where we see a strong strategic fit with our business plan.

## EXPANDING SHARE PRICE AND LIQUIDITY

Canaccord Capital and RBC Capital Markets have joined BMO Capital Markets, Dundee Securities Corporation, Research Capital and Tristone Capital with research coverage on Bulldog. It is gratifying to receive increased recognition of our operational successes from these market intermediaries.

This increased recognition has translated into higher trading volumes and increased share price. Average trading volumes in 2006 were 72,000 shares per day. Our share price started 2006 at approximately \$1.60 per share. At the time of this writing Bulldog's shares are currently trading in the \$4.70 range. We believe that our share price performance is a direct result of our exceptional operating and financial results. This strong share price performance was also achieved in a negative trading market for the junior oil and gas sector in 2006.

*Bulldog is in a strong financial position. This financial strength, together with significantly higher cash flows, has enabled Bulldog to plan an aggressive \$27 million capital expenditure program for 2007.*

## Report to Shareholders

## 2007 — A PROMISING YEAR

Bulldog's Board of Directors has approved a 2007 exploration and development capital expenditure budget of \$27 million. We anticipate drilling approximately 41 wells (21.5 net) in 2007. Bulldog expects to operate 29 of these wells. Our seismic and land acquisition programs have increased to \$1.8 million and \$1.2 million respectively as we continue to develop more internally generated prospects.

We have been drilling steadily with one rig in the first three months of 2007. We intend to supplement this activity with a second rig in the second and third quarters.

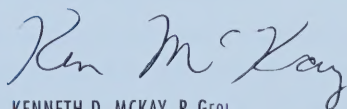
Our 2007 production volumes are expected to average 1,800 BOE/day (98% light oil) representing a 43% increase from the 1,261 BOE/day average for the 2006 fourth quarter and a 125% increase from our 2006 average production of 802 BOE/day. Based on a WTI oil price of \$60 US per barrel (Bulldog oil price of \$61.70 Cdn per barrel), we forecast that Bulldog will cash flow approximately \$27.6 million or \$1.00 per common share in 2007. We have provided full guidance and a cash flow sensitivity table in this report.

Bulldog has not experienced any shut in oil volumes as a result of restrictions placed on the Enbridge Pipelines (Saskatchewan) Inc. system in Southeast Saskatchewan. Our major asset is located near the Cromer Manitoba terminal and we have made arrangements to truck any oil volumes that are not accepted into the Enbridge Pipeline system.

Bulldog's production as of early March 2007 is averaging in excess of 1,650 BOE/day of light oil.

We are fortunate to have a group of highly capable people working for Bulldog. Our company's board of directors, management and technical team encompass the disciplines of geology, geophysics, engineering, operations, land, corporate finance, financial reporting and corporate law. On average, each member of our team has over 20 years of oil and natural gas industry experience. The focus, energy, ability and excellent attitude of the Bulldog team, combined with light oil drilling opportunities and financial resources, have positioned our company for continued growth in 2007.

We look forward to reporting our progress to our shareholders.



KENNETH D. MCKAY, P. GEOL.

President and Chief Executive Officer

March 14, 2007

*The focus, energy, ability and excellent attitude of the Bulldog team, combined with light oil drilling opportunities and financial resources, have positioned our company for continued growth in 2007.*

## Operational Review

### PROPERTY REVIEW

Bulldog has established Southeast Saskatchewan as its core area of operations. This region has been key to our efforts to establish the necessary critical mass to secure our status as a strong competitor in our industry. We have a base of undeveloped lands, reserves, production and cash flow sufficient to enable us to continue to grow our business.

#### SOUTHEAST SASKATCHEWAN

Well depth	1,000 meters with a 500 meter horizontal
Well costs – Drilling, completion and equipping	\$1,000,000
Average reserves/well	75,000 to 250,000 bbls
Production/well – Initial rates	150 bbls/day

Southeast Saskatchewan was Bulldog's area of activity in 2006 as we successfully pursued drilling opportunities on our undeveloped lands. This focused land position is highly prospective for light oil (36 degree API) in Mississippian age carbonate reservoirs at depths ranging from 1,000 to 1,200 meters. We are concentrating our development efforts on specific zones, which can have initial production rates per well of over 150 bbls/day and recoverable reserves in excess of 150,000 barrels per well.

In early March, Bulldog's average production volumes were in excess of 1,650 BOE per day (99% light oil). Bulldog has a 63% average working interest in 32 producing wells. At December 31, 2006, Bulldog had 32,200 net acres of undeveloped land. We currently operate 84% of our production.

### OPERATIONAL REPORTS

National Instrument 51-101, Standards of Disclosure for Oil and Gas Activities ("NI 51-101") require certain information to be filed on SEDAR (System for Electronic Document Analysis and Retrieval) and are intended to ensure that all public oil and natural gas companies disclose similar information prepared on the same basis. Bulldog will file the required Form NI 51-101F1 as part of its Annual Information Form (AIF) which will be available on both the SEDAR website ([www.sedar.com](http://www.sedar.com)) and Bulldog's website ([www.bulldogresources.ca](http://www.bulldogresources.ca)). As this filing is very comprehensive, we have extracted certain information with respect to our operations usually reported by our industry in annual reports and present this information in the following sections. All such information is consistent with the NI 51-101 filing.

Our industry commonly expresses production volumes and reserves on a "barrel of oil equivalent" basis (BOE) whereby natural gas volumes are converted at the ratio of six thousand cubic feet to one barrel of oil. The intention is to sum oil and natural gas measurement units into one basis for improved measurement of results and comparisons with other industry participants. In several sections that follow Bulldog has used the 6:1 BOE measure which is the approximate energy equivalency of the two commodities at the burner tip. BOE does not represent a value equivalency at the plant gate which is where Bulldog sells its production volumes and therefore may be a misleading measure if used in isolation.

#### UNDEVELOPED LAND

Undeveloped land is the basic building block to our industry in the exploration for petroleum and natural gas reserves. Bulldog acquired undeveloped land through land sale auctions conducted by the Saskatchewan government and freehold leasing.

## Operational Review

December 31 (acres)	2006		2005	
	Gross	Net	Gross	Net
Total	43,464	32,200	9,504	6,698
Average working interest		74%		70%

As most of the undeveloped lands are held under five year leases, approximately 10% of this acreage is scheduled to expire by the end of 2007.

## DRILLING ACTIVITY

The following table summarizes Bulldog's 2006 drilling program.

Year ended December 31	Gross	Net
Oil completions	24	12.20
Cased wells requiring further evaluation	3	2.35
Dry and abandoned	2	0.78
Total wells	29	15.33
Success rate		95%
Average working interest		53%

Of the 29 gross wells drilled in 2006, 24 were operated by Bulldog.

## PETROLEUM AND NATURAL GAS RESERVES

The most comprehensive of the disclosures required under NI 51-101 are those with respect to reserves. Bulldog engaged the independent engineering firm GLJ Petroleum Consultants Ltd. ("GLJ") to evaluate our estimated reserves and future net revenues as of December 31, 2006. Their report, dated March 2, 2007, covered 100% of our reserves as at December 31, 2006. Bulldog's reserves associated with the two January 2007 oil asset acquisitions are not included in the GLJ report.

The following reserves information is extracted from the GLJ report based upon forecasted price and cost assumptions for Bulldog's working interest. The tables based upon constant price and cost assumptions are set out in our Annual Information Form. Bulldog does not represent that the tables showing the discounted future net revenues as estimated by GLJ are representative of fair market value.

## SUMMARY OF RESERVE VOLUMES

	Gross Reserves <sup>(1)</sup>				Net Reserves <sup>(2)</sup>			
	Crude Oil (mbbls)	Natural Gas Liquids (mbbls)	Natural Gas (mmcf)	Oil Equivalent (mboe)	Crude Oil (mbbls)	Natural Gas Liquids (mbbls)	Natural Gas (mmcf)	Oil Equivalent (mboe)
Proved								
Developed Producing	1,019	10	209	1,064	882	10	197	925
Developed Non Producing	3	0	83	17	3	0	68	15
Undeveloped	618	7	112	644	553	7	108	578
Total Proved	1,641	18	404	1,726	1,438	17	373	1,518
Probable	1,442	16	334	1,514	1,255	16	315	1,323
Total Proved plus Probable	3,083	34	738	3,240	2,693	33	689	2,841

(1) Bulldog's working interest reserves.

(2) Bulldog's working interest reserves after deduction of royalty obligations.

## Operational Review

### NET PRESENT VALUE OF FUTURE NET REVENUE

	0%	5%	10%	15%
Before Future Income Tax Expenses and Discounted at	(M\$)	(M\$)	(M\$)	(M\$)
Proved				
Developed Producing	45,199	39,020	34,706	31,511
Developed Non Producing	383	299	235	186
Undeveloped	25,288	21,800	19,136	17,041
Total Proved	70,870	61,120	54,077	48,738
Probable	67,427	44,646	32,988	26,123
Total Proved plus Probable	138,297	105,766	87,065	74,861

The future net revenues are calculated based upon estimated revenues less royalties, operating costs, future development costs, and well abandonment costs.

### PRICING ASSUMPTIONS

GLJ used the following crude oil and natural gas pricing, foreign exchange and escalation rate assumptions in estimating Bulldog's reserves and future net revenue (forecasted prices and costs case).

Year	Crude Oil		Natural Gas	Exchange Rate
	WTI at Cushing Oklahoma (\$US/Bbl)	Edmonton Light Oil (\$Cdn/Bbl)	AECO C (\$Cdn/MMBTu)	\$US/\$CDN
2007	62.00	70.25	7.20	0.87
2008	60.00	68.00	7.45	0.87
2009	58.00	65.75	7.75	0.87
2010	57.00	64.50	7.80	0.87
2011	57.00	64.50	7.85	0.87
2012	57.50	65.00	8.15	0.87
2013	58.50	66.25	8.30	0.87
2014	59.75	67.75	8.50	0.87
2015	61.00	69.00	8.70	0.87
2016	62.25	70.50	8.90	0.87
2017	63.50	71.75	9.10	0.87
Thereafter 2.0% escalation rates				

### RECONCILIATION OF CHANGES IN RESERVE VOLUMES

	Proved			Proved & Probable		
	Oil & NGL's (mbbls)	Natural Gas (mmcf)	BOE (mboe)	Oil & NGL's (mbbls)	Natural Gas (mmcf)	BOE (mboe)
January 1, 2006	180	41	187	529	107	546
Discoveries & drilling	1,469	348	1,527	2,685	609	2,787
Revisions	301	26	305	194	33	200
Production	(291)	(11)	(293)	(291)	(11)	(293)
December 31, 2006	1,659	404	1,726	3,117	738	3,240

## Operational Review

### CAPITAL EFFICIENCY MEASURES

Bulldog's industry is constantly engaged in the pursuit of increasing its inventory of reserves and converting them to higher production volumes. To be successful, we must replace current production volumes economically. Five common capital efficiency measures that the oil and natural gas industry uses to judge its performance against this objective are: (1) finding and development costs; (2) reserve life index; (3) cash flow netback; (4) recycle ratio and (5) reserve replacement ratio.

### FINDING AND DEVELOPMENT COSTS

The calculation of finding and development (F&D) costs in our industry is mandated by NI 51-101 with the following calculations: (1) include all estimated future development costs to bring reserves on-stream in the same period as the volumes are initially recognized and variations thereafter; and (2) exclude the effects of corporate and property acquisitions and dispositions in an attempt to focus purely on exploration and development activities.

The parameters Bulldog applies in our calculations include:

- 1 using company working interest reserve volumes;
- 1 using the forecasted prices and costs case from the GLJ report;
- 1 the inclusion of all capitalized costs recorded in the period including land and seismic costs but excluding asset retirement costs, and capitalized stock based compensation; and
- 1 the inclusion of the change in estimated future development costs required to bring the related reserves fully on production.

Inherently, the calculation of F&D costs per BOE of reserve additions on an annual basis is an imprecise calculation. Estimated reserve volumes, future development costs and the capital spent in the current year on land and seismic for future reserve additions are variable for many reasons and therefore may unduly impact an annual calculation. Nevertheless, long-term measurements over several years negate some of this annual imprecision and are a reasonable indicator of corporate performance.

	Total Costs	Total reserve additions/revisions	F & D Costs
Year ended December 31, 2006	\$000's	mboe	per BOE
Proved	\$ 26,246	1,832	\$ 14.33
Proved plus probable	\$ 26,773	2,987	\$ 8.96

### RESERVE LIFE INDEX

Bulldog's production generates cash flow which is the primary source of funds to reinvest in our business in the pursuit of not only replacing the related volumes but also growing the inventory of reserves. A critical measure of staying power is the reserve life index - a measure of how many years of current production levels does our current reserve base represent. Bulldog's reserve life index compares annualized 2006 fourth quarter production to December 31, 2006 reserves based upon working interest volumes determined on the forecasted prices and costs case.

Reserve life index (years)	December 31, 2006
Proved	3.7
Proved plus probable	7.0

## Operational Review

Bulldog's largest reserve asset, the Fertile property, is a new pool. With a very active drilling program planned for 2007, we expect to validate a significant portion of the probable reserves to proven reserves this year. This will have a favorable impact on production volumes and extend our proven reserve life index.

### CASH FLOW NETBACK

Bulldog's cash flow equals revenue plus other income less royalties, transportation expenses, production expenses and general and administrative expenses.

Bulldog's 2006 cash flow was \$14.7 million or a netback of \$50.36 per BOE. Bulldog's expects that its cash flow per BOE will be "top decile" in the industry and is a result of premium light oil prices and low transportation and production expenses at Fertile.

### RECYCLE RATIO

The recycle ratio is an economic measure based upon annual current cash flow realized from volumes produced divided by the current year's finding and development costs expressed on a per BOE basis. The calculation of annual finding, development and acquisition costs is volatile leading to some imprecision in the recycle ratio calculation; nevertheless it is considered important by our industry in evaluating performance. Bulldog calculates this measure based upon company working interest reserve volumes as determined based upon the forecasted prices and costs case.

	Cash flow per BOE	F & D Costs per BOE		Recycle ratio (times)	
		Proved	Proved & Probable	Proved	Proved & Probable
2006	\$ 50.36	\$ 14.33	\$ 8.96	3.5	5.6

### RESERVE REPLACEMENT RATIO

The reserve replacement ratio is a measure based on the ratio of reserve additions to annual production expressed on a BOE basis. In 2006 Bulldog's successful exploration and development drilling program resulted in a reserve replacement ratio of 10.2 times production. This significant increase in reserves was achieved by a 2006 capital expenditure program (including the change in estimated future development costs) of only 1.8 times Bulldog's 2006 cash flow.

Reserve replacement ratio	
Proven plus probable reserve additions (mBOE)	2,987
Annual 2006 BOE production (mBOE)	293
Reserve replacement ratio	10.2
Capital expenditures multiple of cash flow	
2006 capital expenditures	\$ 20,163
Change in estimated future development costs	6,610
Total	\$ 26,773
2006 cash flow	\$ 14,736
Capital expenditures multiple of cash flow	1.8



Management's  
Discussion & Analysis

## Management's Discussion & Analysis

### ADVISORIES

The intention of Bulldog Resources Inc. ("Bulldog") management's discussion and analysis (MD&A) is to present management's analysis of operational results, current financial position and future prospects. The information provided in this MD&A is as of March 14, 2007. Certain statements included in this MD&A constitute forward-looking statements under applicable securities legislation. Forward-looking statements or information typically contain statements with words such as "anticipate", "believe", "expect", "plan", "intend", "estimate", "propose", or similar words suggesting future outcomes or statements regarding an outlook. Forward-looking statements or information in this MD&A include but are not limited to capital expenditures, business strategy and objectives, net revenue, future production levels, developments plans and the timing thereof, operating and other costs, royalty rates etc.

Such forward-looking statements or information are based on a number of assumptions which may prove to be incorrect. Although Bulldog believes that the expectations reflected in such forward-looking statements or information are reasonable, undo reliance should not be placed on forward-looking statements because Bulldog can give no assurance that such expectations will prove to be correct. Forward-looking statements or information are based on current expectations, estimates and projections that involve a number of risks and uncertainties which could cause actual results to differ materially from those anticipated by Bulldog and described in the forward-looking statements or information.

Finally, in the presentation of the MD&A, Bulldog uses three terms that are universally applied in analyzing corporate performance within the oil and gas industry as explained below.

- 7 **Barrel of Oil Equivalent (BOE)** – Our industry commonly expresses production volumes and reserves on a "barrel of oil equivalent" basis (BOE) whereby natural gas volumes are converted at the ratio of six thousand cubic feet to one barrel of oil. The intention is to sum oil and natural gas measurement units into one basis for improved analysis of results and comparisons with other industry participants.

Throughout this MD&A Bulldog has used the 6:1 BOE measure which is the approximate energy equivalency of the two commodities at the burner tip. BOE does not represent a value equivalency at the plant gate which is where Bulldog sells its production volumes and therefore may be a misleading measure if used in isolation.

- 7 **Operating Income and Field Netback** – Operating income is defined as revenues less royalties, transportation costs and production expenses. Field netback is the term used when these items are expressed on a BOE of production basis.
- 7 **Funds Flow from Operations** – This measure is commonly referred to as cash flow and is considered critical within our industry both in terms of measuring success in our historical operations and being an indicator of funding sources for on-going efforts to replace production volumes and increase reserve volumes. Canadian generally accepted accounting principles ("GAAP") requires that "cash flow from operating activities" be the measurement focus. This latter term is derived from "funds flow from operations" as defined by Bulldog adjusted for the change in non-cash working capital. Bulldog believes "funds flow from operations" and "funds flow from operations per share" to be more meaningful measures of our performance and therefore have used these terms throughout this MD&A. Accordingly, Bulldog is required to advise the reader that: (a) these are non-GAAP measures for purposes of Canadian accounting standards; and (b) our determinations may not be comparable to those reported by other companies.

## Management's Discussion & Analysis

### CORPORATE ORIGIN

Bulldog Resources is a Calgary based oil and natural gas Company engaged in the exploration, acquisition, development and production of oil and natural gas reserves in the Western Canadian Sedimentary Basin. Bulldog Resources commenced operations on November 30, 2005 as a result of the Plan of Arrangement between Bulldog Energy Inc. and Crescent Point Energy Trust. The Plan of Arrangement, through a series of transactions resulted in Bulldog Energy shareholders exchanging their shares for units of Crescent Point and common shares of Bulldog Resources.

### BASIS OF PREPARATION

The consolidated financial statements include the accounts of Bulldog; its wholly owned subsidiary Bulldog Ventures Ltd., and in conjunction with Bulldog Ventures Ltd., its 100% owned Bulldog Partnership. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles, which require management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The comparative information is for the period from incorporation on October 24, 2005 to December 31, 2005. Bulldog commenced operations on November 30, 2005 and the comparative information is for the month of December 2005.

### CAPITAL EXPENDITURES

The following summarizes Bulldog's capital expenditure program for 2006:

(\$000's)	Q4	Q3	Q2	Q1	Total 2006	2005 <sup>(1)</sup>
Land acquisitions and retentions	\$ 782	\$ 464	\$ 415	\$ 39	\$ 1,700	\$ 90
Seismic	369	246	217	158	990	—
Drilling & completions	4,050	3,755	2,229	1,637	11,671	272
Equipping, tie-ins and facilities	2,765	1,251	1,013	732	5,761	—
Head office	—	4	27	10	41	—
Total	\$ 7,966	\$ 5,720	\$ 3,901	\$ 2,576	\$ 20,163	\$ 362

(1) Bulldog commenced operations on Nov. 30, 2005 and 2005 represents one month of operations.

In the fourth quarter, Bulldog drilled 12 gross (6.38 net) wells resulting in eight oil wells (4.25 net), two cased wells (1.35 net) and two dry and abandoned wells (0.78 net). In the year ended December 31, 2006, Bulldog drilled a total of 24 gross (12.20 net) oil wells, three cased wells (2.35 net) requiring further evaluation and two abandoned wells (0.78 net). Twenty four of the 29 drilled wells were operated by Bulldog.

Of the total 2006 drilling program, 19 oil wells were drilled at Fertile (9.20 net), 2 oil wells were drilled at Browning (2.00 net), 3 wells were drilled at Arcola (1.05 net) and 5 wells (3.08 net) were drilled in other areas.

Bulldog's equipping, tie-ins and facilities capital expenditures in the fourth quarter of 2006 included \$1.34 million related to an oil pipeline at Fertile (*See Transportation Expense and Contractual Obligations*). Bulldog's total 2006 capital expenditure guidance was projected in September 2006 to be \$22 million. Included in this capital expenditure guidance was a \$1.30 million capital expenditure related to a gas pipeline at Fertile which was originally projected to be completed in the fourth quarter of 2006. This gas pipeline commenced construction in the first quarter of 2007 and is currently expected to be operational in the second quarter of 2007.

## Management's Discussion & Analysis

### RESULTS OF OPERATIONS

In Bulldog's first full year of operations, Bulldog has grown shareholder value dramatically. Bulldog's December 31, 2005 reserve net present value of approximately \$10.2 million and an initial equity financing of \$4 million was supplemented by an additional \$5.6 million equity financing at \$1.80 per share in 2006. This \$20 million base has increased approximately 6 times to a market capitalization of approximately \$130 million as of mid-March 2007. The following tables summarize Bulldog's operating income, funds flow from operations and net earnings by quarter for 2006.

#### OPERATING INCOME

(\$000's)	Q4	Q3	Q2	Q1	Total 2006	2005 <sup>(1)</sup>
Oil and gas revenue	\$ 7,123	\$ 7,235	\$ 3,733	\$ 1,732	\$ 19,823	\$ 366
Royalties	(1,044)	(1,101)	(408)	(278)	(2,831)	(77)
Transportation expenses	(178)	(126)	(93)	(34)	(431)	(10)
Production expenses	(193)	(174)	(119)	(99)	(585)	(28)
Operating income	\$ 5,708	\$ 5,834	\$ 3,113	\$ 1,321	\$ 15,976	\$ 251

(Per BOE )	Q4	Q3	Q2	Q1	Total 2006	2005 <sup>(1)</sup>
Oil and gas revenue	\$ 61.41	\$ 73.89	\$ 73.97	\$ 61.32	\$ 67.74	\$ 61.48
Royalties	(9.00)	(11.24)	(8.08)	(9.84)	(9.67)	(12.95)
Transportation expenses	(1.53)	(1.29)	(1.84)	(1.20)	(1.47)	(1.64)
Production expenses	(1.66)	(1.78)	(2.36)	(3.51)	(2.00)	(4.74)
Operating income	\$ 49.22	\$ 59.58	\$ 61.69	\$ 46.77	\$ 54.60	\$ 42.15

(1) Bulldog commenced operations on Nov. 30, 2005 and 2005 represents one month of operations.

#### FUNDS FLOW FROM OPERATIONS

(\$000's except per BOE and per share amounts)	Q4	Q3	Q2	Q1	Total 2006	2005 <sup>(1)</sup>
Funds flow from operations	\$ 5,281	\$ 5,567	\$ 2,829	\$ 1,059	\$ 14,736	\$ 99
Per BOE	\$ 45.53	\$ 56.86	\$ 56.06	\$ 37.49	\$ 50.36	\$ 54.10
Per common share						
Basic	\$ 0.21	\$ 0.23	\$ 0.12	\$ 0.05	\$ 0.61	\$ 0.01
Diluted	\$ 0.20	\$ 0.22	\$ 0.11	\$ 0.05	\$ 0.58	\$ 0.01

(1) Bulldog commenced operations on Nov. 30, 2005 and 2005 represents one month of operations.

Bulldog's fourth quarter funds flow from operations decreased 5% from the third quarter as the 18% increase in production volumes was more than offset by the 17% decrease in Bulldog's realized oil price.

## Management's Discussion &amp; Analysis

## NET EARNINGS (LOSS)

(\$000's except per BOE and per share amounts)	Q4	Q3	Q2	Q1	Total 2006	2005 <sup>(1)</sup>
Net earnings (loss)	\$ 2,296	\$ 3,012	\$ 1,635	\$ 327	\$ 7,270	\$ (33)
Per BOE	\$ 19.79	\$ 30.76	\$ 32.40	\$ 11.58	\$ 24.84	\$ (5.54)
Per common share						
Basic	\$ 0.09	\$ 0.13	\$ 0.06	\$ 0.02	\$ 0.30	\$ (0.00)
Diluted	\$ 0.09	\$ 0.13	\$ 0.06	\$ 0.01	\$ 0.29	\$ (0.00)

(1) Bulldog commenced operations on Nov. 30, 2005 and 2005 represents one month of operations.

Bulldog's fourth quarter net earnings decreased \$0.7 million from the third quarter primarily as a result of Bulldog's lower fourth quarter realized oil prices.

Bulldog's 2006 net earnings represented a 57 percent rate of return on average shareholders' equity. Bulldog expects that this rate of return will rank "top decile" in relation to its peer group.

## PRODUCTION VOLUMES

	Q4	Q3	Q2	Q1	Total 2006	2005 <sup>(1)</sup>
Total Volumes						
Oil (barrels)	115,526	97,493	49,927	27,810	290,756	5,770
Natural gas (mcf)	2,780	2,542	3,240	2,610	11,172	7,100
BOE	115,990	97,916	50,467	28,245	292,618	5,953
Daily averages						
Oil (barrels per day)	1,256	1,060	549	309	797	180
Natural gas (mcf per day)	30	28	36	29	31	34
BOE per day	1,261	1,064	555	314	802	186

(1) Bulldog commenced operations on Nov. 30, 2005 and 2005 represents one month of operations.

Bulldog's fourth quarter daily production volumes increased 18 percent from the third quarter as a result of oil volume increases from the successful 2006 drilling program at Fertile and Browning. Approximately 91% of Bulldog's 2006 oil production was derived from its Fertile property.

## OIL PRICES

	Q4	Q3	Q2	Q1	Total 2006	2005 <sup>(1)</sup>
WTI benchmark price (\$US per barrel)	\$ 60.18	\$ 70.48	\$ 70.70	\$ 63.48	\$ 66.25	\$ 59.45
Oil price differential (\$US per barrel)	(2.93)	0.03	(0.71)	(3.75)	(1.19)	(1.38)
Exchange - \$US / \$Cdn	0.878	0.892	0.891	0.866	0.882	0.861
Edmonton light (\$Cdn per barrel)	\$ 65.20	\$ 79.08	\$ 78.55	\$ 68.96	\$ 73.76	\$ 67.45
Cromer and quality adjustments	(3.64)	(4.96)	(4.04)	(7.35)	(5.76)	(7.45)
Bulldog's average oil price (\$Cdn per barrel)	\$ 61.56	\$ 74.12	\$ 74.51	\$ 61.61	\$ 68.00	\$ 60.00

(1) Bulldog commenced operations on Nov. 30, 2005 and 2005 represents one month of operations.

## Management's Discussion & Analysis

### REVENUE

Bulldog's oil and gas revenue in the fourth quarter of 2006 was comprised of \$7,112,000 of oil sales (99.8%) and \$11,000 of natural gas sales (0.2%). The average WTI benchmark average oil price decreased 15% or \$10.30 U.S. per barrel in the fourth quarter. After record setting world oil prices seen in the third quarter, oil prices experienced significant volatility in the fourth quarter. The relative absence of geopolitical drivers and a mild winter with reduced demand for heating oil has contributed to lower oil prices.

The reduction in the fourth quarter benchmark WTI oil prices was the predominate factor in Bulldog's realized oil price decreasing 17% or \$12.56 Cdn. per barrel in the fourth quarter. In addition the oil price differential between WTI and benchmark Canadian light oil prices widened in the fourth quarter. Bulldog's oil production is 36 degree API light oil and is priced based on the Cromer benchmark light crude price subject to quality adjustments specific to Bulldog's volumes.

### ROYALTIES

(\$'000's except per BOE)	Q4	Q3	Q2	Q1	Total 2006	2005 <sup>(1)</sup>
Royalties	\$ 1,044	\$ 1,101	\$ 408	\$ 278	\$ 2,831	\$ 77
Per BOE	\$ 9.00	\$ 11.24	\$ 8.08	\$ 9.84	\$ 9.67	\$ 12.95
Percentage of revenue	15%	15%	11%	16%	14%	21%

(1) Bulldog commenced operations on Nov. 30, 2005 and 2005 represents one month of operations.

Bulldog's royalties as a percentage of revenue was constant in the fourth quarter in comparison to the third quarter. The horizontal wells at Fertile drilled on Crown lands are eligible for the reduced Crown royalty rate of 2.5% on the first 37,500 barrels of gross cumulative oil production. After this reduced royalty period, the eligible wells are subject to sliding scale Crown royalties with rates dependent on production volumes.

Approximately 58% (53% in the fourth quarter) of Bulldog's total 2006 oil production benefited from the reduced Crown royalty program. Bulldog's revenue is derived from Saskatchewan properties and is subject to a 1.9% (2.0% prior to July 1, 2006) Saskatchewan resource revenue surcharge, which is included in royalties.

### TRANSPORTATION EXPENSES

(\$'000's except per BOE)	Q4	Q3	Q2	Q1	Total 2006	2005 <sup>(1)</sup>
Transportation	\$ 178	\$ 126	\$ 93	\$ 34	\$ 431	\$ 10
Per BOE	\$ 1.53	\$ 1.29	\$ 1.84	\$ 1.20	\$ 1.47	\$ 1.64

(1) Bulldog commenced operations on Nov. 30, 2005 and 2005 represents one month of operations.

Transportation expenses are the trucking of Bulldog's oil from central facilities to the purchaser's sales terminal. The second quarter "spring break up" and the associated road use regulations resulted in second quarter reduced oil volumes per truck load and higher per barrel trucking expenses. Trucking expenses on a per BOE basis increased 19% in the fourth quarter as a result of increased rates.

Approximately \$390,000 (90%) of Bulldog's transportation expenses in 2006 relate to oil trucking at Fertile. In the fourth quarter of 2006 a third party constructed for Bulldog and its joint interest partner a pipeline to transport oil from the Fertile battery to a central facility at Alida. Construction was completed in late December and the oil pipeline commenced operations in January 2007. The oil pipeline is expected to reduce the impact of oil production interruptions which normally occur during the annual spring break up period. The oil pipeline is

## Management's Discussion & Analysis

also expected to reduce Bulldog's future transportation expenses on its Fertile oil production as it is expected that trucking requirements will be minimal. The initial oil pipeline tariff is less than Bulldog's fourth quarter average oil trucking of \$1.54 per barrel. The monthly tariff payments will be applied to and reduce Bulldog's oil pipeline liability. After the third party recovers its capital investment in the oil pipeline, Bulldog has the option to either continue to use the pipeline at a negotiated volume tariff or truck its oil. (See *Contractual Obligations*).

### PRODUCTION EXPENSES

(\$000's except per BOE)	Q4	Q3	Q2	Q1	Total 2006	2005 <sup>(1)</sup>
Production	\$ 193	\$ 174	\$ 119	\$ 99	\$ 585	\$ 28
Per BOE	\$ 1.66	\$ 1.78	\$ 2.36	\$ 3.51	\$ 2.00	\$ 4.74

(1) Bulldog commenced operations on Nov. 30, 2005 and 2005 represents one month of operations.

Bulldog's increased production and continued improvements in its production efficiencies in the fourth quarter resulted in reduced per BOE production expenses. Bulldog's concentrated and highly efficient operations at its Fertile property have resulted in very low per BOE operating expenses in relation to its peer group.

### GENERAL AND ADMINISTRATIVE

(\$000's)	Q4	Q3	Q2	Q1	Total 2006	2005 <sup>(1)</sup>
Gross expenses	\$ 886	\$ 639	\$ 617	\$ 489	\$ 2,631	\$ 173
Operator recoveries	(99)	(89)	(60)	(41)	(289)	(3)
Capitalized overhead	(299)	(208)	(213)	(167)	(887)	(63)
Net expenses	\$ 488	\$ 342	\$ 344	\$ 281	\$ 1,455	\$ 107

(per BOE)	Q4	Q3	Q2	Q1	Total 2006	2005 <sup>(1)</sup>
Gross expenses	\$ 7.64	\$ 6.53	\$ 12.23	\$ 17.31	\$ 8.99	\$ 29.05
Operator recoveries	(0.86)	(0.91)	(1.19)	(1.45)	(0.99)	(0.50)
Capitalized overhead	(2.57)	(2.13)	(4.22)	(5.91)	(3.03)	(10.58)
Net expenses	\$ 4.21	\$ 3.49	\$ 6.82	\$ 9.95	\$ 4.97	\$ 17.97

(1) Bulldog commenced operations on Nov. 30, 2005 and 2005 represents one month of operations.

The increase in general and administrative expenses in the last three quarters of the year resulted mainly from a \$550,000 bonus accrual as a direct result of Bulldog's strong performance. In order to maintain strict cost control during Bulldog's initial startup, Bulldog's four officers accepted reduced wages throughout 2006 as a result of the smaller initial production base.

General and administrative expenses directly related to exploration and development activities were capitalized and represented 38 percent of general and administrative expenses (net of third party recoveries) for both the fourth quarter and the twelve months ended December 31, 2006.

Bulldog has nine employees who can efficiently manage significant levels of growth. Bulldog expects that its 2007 general and administrative expenses on a BOE basis will continue to trend downward as production volumes are increased.

## Management's Discussion & Analysis

### OTHER INCOME

(\$000's except per BOE)	Q4	Q3	Q2	Q1	Total 2006	2005 <sup>(1)</sup>
Interest income	\$ 61	\$ 75	\$ 60	\$ 19	\$ 215	\$ –
Per BOE	\$ 0.53	\$ 0.77	\$ 1.19	\$ 0.67	\$ 0.73	\$ –

(1) Bulldog commenced operations on Nov. 30, 2005 and 2005 represents one month of operations.

Bulldog invested its cash balances in short term bankers acceptances with interest rates that ranged between 3.15 to 4.20 percent during the year ended December 31, 2006.

### NON-CASH EXPENSES

#### STOCK BASED COMPENSATION

(\$000's except per BOE)	Q4	Q3	Q2	Q1	Total 2006	2005 <sup>(1)</sup>
Expenses	\$ 82	\$ 91	\$ 113	\$ 112	\$ 398	\$ 38
Per BOE	\$ 0.71	\$ 0.93	\$ 2.24	\$ 3.97	\$ 1.36	\$ 1.79

(1) Bulldog commenced operations on Nov. 30, 2005 and 2005 represents one month of operations.

Bulldog has a stock-based compensation plan consisting of 1,875,000 performance warrants issued in December 2005 and 432,500 stock options issued in June 2006. Performance warrants and stock options granted to directors, officers and employees are accounted for in accordance with the fair value method of accounting for stock-based compensation. The fair value of the performance warrants is based on the Black-Scholes option pricing model and assumptions regarding interest rates, volatility of Bulldog's common shares, and expected life of the performance warrants. Stock based compensation expense is recognized over the vesting period.

For purposes of calculating stock-based compensation expense it was assumed that 100 percent of Bulldog's stock options and performance warrants would vest. In the fourth quarter Bulldog capitalized \$69,000 of stock based compensation (\$60,000 in the third quarter of 2006) consistent with its practice of capitalizing a portion of its general and administrative expenses.

#### DEPLETION, DEPRECIATION AND ACCRETION

(\$000's except per BOE)	Q4	Q3	Q2	Q1	Total 2006	2005 <sup>(1)</sup>
Expenses	\$ 1,622	\$ 1,011	\$ 513	\$ 344	\$ 3,490	\$ 125
Per BOE	\$ 13.98	\$ 10.33	\$ 10.17	\$ 12.18	\$ 11.93	\$ 21.00

(1) Bulldog commenced operations on Nov. 30, 2005 and 2005 represents one month of operations.

Bulldog's depletion, depreciation and accretion expense per BOE has decreased 33 percent to \$13.98 per BOE in the fourth quarter of 2006 from the December 2005 rate of \$21.00 per BOE as a result of Bulldog's successful 2006 drilling program and the associated increase in proven reserves.

Depletion and depreciation expense is calculated using the unit-of-production method which is based on BOE production volumes in relation to the BOE proven reserves. Bulldog's proven reserves as at December 31, 2006 (1.7 million BOE) represent 53 percent of total proven plus probable reserves (3.2 million BOE).

## Management's Discussion & Analysis

As at December 31, 2006 land and seismic costs associated with unproven properties that were excluded from costs subject to depletion and depreciation were \$3.4 million. The estimated salvage values of \$1.6 million reduced the costs of equipment subject to depreciation. Estimated future development costs on proved reserves of \$6.6 million as at December 31, 2006 are included in the calculation of depletion and depreciation.

### INCOME TAXES

(\$000's)	Q4	Q3	Q2	Q1	Total 2006	2005 <sup>(1)</sup>
Earnings (loss) before income taxes	\$ 3,577	\$ 4,465	\$ 2,203	\$ 603	\$ 10,848	\$ (19)
Current income taxes	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 45
Future income taxes	\$ 1,281	\$ 1,453	\$ 568	\$ 276	\$ 3,578	\$ (31)
Effective tax rate	36%	33%	26%	46%	33%	na

(1) Bulldog commenced operations on Nov. 30, 2005 and 2005 represents one month of operations.

In the second quarter both Alberta and Saskatchewan announced reductions in their current and future year respective corporate income tax rates. The Federal corporate income tax rate will also decrease over the next four year period. These corporate income tax rate reductions resulted in a \$521,000 reduction in the calculation of Bulldog's future income tax expense in 2006.

Bulldog does not expect to incur current income taxes in 2007. Bulldog's current income tax horizon after 2007 will be affected by future production volumes, capital expenditures, and the oil price environment at that time.

### JANUARY 2007 PROPERTY ACQUISITIONS

On January 11, 2007 Bulldog acquired, through a series of transactions with another public company, oil assets of a privately held oil and gas company whose President is the Chairman of the Board of Bulldog.

The production acquired was 300 Bbls/day of light oil. Bulldog acquired interests in more than 5,000 net acres of undeveloped land and greater than 17 gross horizontal and vertical drilling locations. The associated reserves are not included in the December 31, 2006 GLJ Petroleum Consultants Reserve Report.

The properties are located in Bulldog's core operating areas of Southeast Saskatchewan and are near our existing properties. This strategic acquisition increases Bulldog's undeveloped land holdings, reserves, production volumes and cash flow. It expands Bulldog's drilling opportunities with a diversified inventory of prospects on play types Bulldog has enjoyed previous success.

The total purchase consideration consisted of 2.5 million Bulldog shares at an ascribed value of \$4.47 per share and cash of \$8.7 million resulting in \$19.9 million of total purchase consideration. The cash component is subject to potential adjustment upon the final determination of post closing adjustments.

The Letter of Intent, an agreement detailing the agreed upon business terms, was executed on November 24, 2006. Bulldog's common share closing price on November 23, 2006 was \$4.00 per share resulting in the implied market value of the 2.5 million common shares to be issued totaling \$10.0 million at that time. The ascribed value of Bulldog's common shares of \$4.47 per share used in the final calculation of the purchase consideration represents the estimated fair value of these shares as at the December 7, 2006 which was the date of the Definitive Agreement. The ascribed value of these shares was based on Bulldog's weighted average common share trading prices.

## Management's Discussion & Analysis

On January 26, 2007 Bulldog purchased additional working interests in a portion of the above noted oil assets for a total consideration of \$4.74 million consisting of \$4.68 million of cash and the assumption of \$0.06 million in asset retirement obligations. Of this total \$0.7 million was paid to a company controlled by the Chairman of the Board of Bulldog.

Both of the January 11 and January 26 oil asset purchases noted above were approved by Bulldog's board of directors with the Chairman of the Board abstaining from the vote.

Drilling has been initiated on these acquired properties. Bulldog expects to drill 10 horizontal (3.5 net) and 1 vertical well (0.25 net) on these lands in 2007.

The acquired income tax pools were equal to the total purchase consideration in both of these acquisitions.

### LIQUIDITY AND CAPITAL RESOURCES

Bulldog has considerable financial strength significantly in excess of the current 2007 projected exploration and development capital expenditure program of \$27 million.

This financial strength is demonstrated by Bulldog's 2007 projected funds flow from operations of \$27.6 million and a December 31, 2006 pro forma working capital deficiency (including the January 2007 property acquisitions) of \$7.9 million in relation to Bulldog's available \$25 million bank credit line. This pro forma working capital deficiency excludes the oil pipeline net liability of \$1.34 million.

Bulldog's revolving operating credit facility was increased from the \$7 million authorized amount as at December 31, 2006 to \$25 million in January 2007. This credit facility bears interest at the bank's prime rate plus 0.25 percent or bankers acceptances plus 1.25 percent per annum. Borrowings under this facility are repayable on demand and the facility is limited to a borrowing base as determined by the bank and subject to periodic reviews by the bank. The next review is scheduled on or before May 31, 2007.

The oil and gas industry operates within several parameters affecting its liquidity and capital resources:

- 7 It is capital intensive requiring cash infusions on a regular basis as it seeks to grow its business.
- 7 Its inventory of product for sale - its reserves - needs to be constantly replenished and augmented.
- 7 It is a price taker when selling its inventory of oil and natural gas reserves.

Given these constraints, Bulldog plans to finance its capital expenditures primarily through funds flow from operations supplemented as required by equity financings and bank credit facilities. The Company will maintain credit facilities to finance incremental exploration and development activities, and acquisitions.

As the majority of Bulldog's on-going capital expenditures program is directed to the further growth of reserves and production volumes, Bulldog is readily able to adjust its budgeted capital expenditures. Bulldog has considerable financial strength through its cash flow and credit capacity to finance all of its commitments in 2007.

## Management's Discussion & Analysis

### 2007 GUIDANCE

Bulldog's projected 2007 acquisitions, exploration and development capital expenditure program is \$51.7 million. The 2007 capital budget includes \$24.7 million of property acquisitions that were completed in January 2007 and projected exploration and development capital totaling \$27.0 million. The exploration and development capital budget includes \$3.0 million in land and seismic and \$24.0 million in drilling, completions, equipping and facilities expenditures. Bulldog anticipates drilling approximately 41 (21.5 net) wells in 2007. Bulldog expects to operate 29 of these wells.

Bulldog currently projects 2007 production volumes to average 1,800 BOE per day (98% light oil). Using a projected benchmark WTI oil price of US\$60.00 per barrel (resulting in an estimated realized oil price of CDN \$61.70 per barrel), Bulldog's 2007 projected funds flow from operations approximates \$27.6 million or \$1.00 per share basic (\$0.95 per share diluted).

The two key variables used in projecting Bulldog's 2007 funds flow from operations are production volumes and oil prices. The following table summarizes the sensitivity to Bulldog's projected 2007 funds flow from operations resulting from changes in production volumes and oil prices:

(\$000's except per share)	Amount	Per share
50 BOE per day change in average production volumes	\$ 856	\$ 0.03
U.S. \$1.00 per barrel change in WTI oil price	\$ 589	\$ 0.02

Bulldog intends to update this 2007 guidance as our operations progress throughout the remainder of 2007.

### ADDITIONAL DISCLOSURES

	Year ended December 31, 2006	Year ended December 31, 2005
<b>SHARE CAPITAL</b>		
Weighted average shares outstanding		
Basic	24,089,251	10,008,673
Diluted	25,454,327	10,008,673
Outstanding securities		
Common shares	24,959,202	21,581,202
Performance warrants	1,875,000	1,875,000
Stock options	432,500	—
Total	27,266,702	23,456,202

In January 2007, an additional 2,500,000 common shares were issued as partial consideration for the acquisition of oil assets. As at March 14, 2007 Bulldog had 27,474,202 common shares, 1,860,000 performance warrants and 432,500 stock options outstanding.

## Management's Discussion & Analysis

### COMMON SHARE TRADING SUMMARY

	Q4	Q3	Q2	Q1	2006
Share prices					
High	\$ 5.97	\$ 3.35	\$ 2.74	\$ 2.09	\$ 5.97
Low	\$ 3.75	\$ 2.21	\$ 1.90	\$ 1.53	\$ 1.53
Close	\$ 5.21	\$ 3.30	\$ 2.33	\$ 2.00	\$ 5.21
Trading volume (000's)	5,070	4,283	2,725	6,015	18,093

### CRITICAL ACCOUNTING ESTIMATES

In the preparation of the financial statements, it was necessary for Bulldog to make certain estimates that were critical to determining our assets, liabilities and net earnings (loss). None of these estimates affect the determination of funds flow from operations but do have a significant impact in the determination of earnings. The most critical of these estimates is the reserves estimations and the resulting effect on various income statement and balance sheet measures.

Bulldog engaged the independent engineering firm GLJ Petroleum Consultants (GLJ) to evaluate our oil and natural gas reserves. Their report was utilized in: a) the calculation of depletion and depreciation expense, b) the application of the ceiling test, and c) the calculation of asset retirement obligations.

The estimation of the reserve volumes and future net revenues set out in the GLJ report is complex and subject to uncertainties and interpretations. Judgments are based upon engineering data, projected future rates of production, forecasts of commodity prices, and the timing of future expenditures. Inevitably the estimates of reserve volumes and future net revenues will vary over time as new data becomes available. Changes in estimated proved reserves or future development costs have a direct impact on depletion and depreciation expense.

### CONTRACTUAL OBLIGATIONS

Bulldog enters into various contractual obligations in the normal course of its operations, including the purchase of various operational services, operating agreements, lease obligations for office space and office equipment. These contractual obligations were entered into in the ordinary course of business and the terms reflect market conditions.

In 2006 Bulldog, as operator of the Fertile property, entered into two separate agreements to construct pipelines at its' Fertile property located in Southeast Saskatchewan. Bulldog's joint interest partner in the property has agreed to be responsible for all terms and conditions of the two pipeline agreements related to their 50 percent working interest in this property. The terms of these agreements are summarized below.

In the fourth quarter of 2006 Bulldog entered into an agreement for a third party to construct the oil pipeline. Construction was completed in December 2006. Bulldog's oil pipeline liability is \$2,680,000 with a corresponding addition of 50% thereof to joint interest receivables and the balance was an addition to property plant and equipment. The oil pipeline liability will be settled by an oil volume tariff, with a required minimum payment of 20 percent per annum of the original liability. After the third party recovers its capital investment in the oil pipeline, Bulldog has the option to either continue to use the pipeline at a negotiated volume tariff or truck its oil.

## Management's Discussion & Analysis

In August 2006 Bulldog entered into an agreement for a third party to construct for Bulldog and its joint interest partner a natural gas pipeline required to transport and market natural gas from its Fertile property. The estimated gross cost of this pipeline is expected to be \$2,600,000 (Bulldog's 50% net share is \$1,300,000). Upon completion of the natural gas pipeline, Bulldog will record the actual gross costs as a liability with a corresponding addition of 50% thereof to joint interest receivables and the balance to property plant and equipment. Construction commenced in January 2007 and is expected to be completed by the end of the first quarter of 2007. Bulldog's natural gas pipeline liability will be settled by the delivery of natural gas and liquids production "in kind" from the Fertile property over a period not exceeding 18 months. The natural gas and liquids production will be recorded as revenue at the prevailing prices when delivered. Any remaining liability after the 18 months period will be settled by a cash payment. After the third party recovers its costs of the pipeline, the third party will retain 20% of all future natural gas production and 50% of all future liquids production. The remaining 80% balance of natural gas and 50% of the liquids production will be shared by Bulldog and its' joint interest partner according to their respective working interests in the production.

Bulldog's contractual obligations and associated future payments are summarized as follows:

(\$000's)	2007	2008	2009	2010	2011	Total
Office lease	\$ 130	\$ 134	\$ 141	\$ 145	\$ 73	\$ 623
Fertile oil pipeline <sup>(1)</sup>	\$ 450	\$ 335	\$ 247	\$ 189	\$ 119	\$ 1,340
Fertile gas pipeline <sup>(1)</sup>	\$ 400	\$ 900	\$ —	\$ —	\$ —	\$ 1,300

*(1) These pipeline liabilities represent Bulldog's 50% share of these contractual obligations.*

Other than operating lease commitments relating to its premises Bulldog has no off balance sheet arrangements.

### RELATED PARTY TRANSACTIONS

In the third quarter of 2006 Bulldog entered into a joint venture agreement with a Company whose President is a director of Bulldog. Bulldog participated in a drilling program in Southeast Saskatchewan under terms that were negotiated and industry standard. In 2006 Bulldog incurred \$742,000 of capital expenditures under this joint venture.

A director of Bulldog is a partner in a law firm that provides legal services to Bulldog related to administrative activities and share issue costs. These expenditures totaled \$164,000 for the year ended December 31, 2006 (\$7,000 for the 2005 fiscal year).

On March 13, 2006 Bulldog entered into a bought deal financing agreement with a syndicate of underwriters to issue 3,378,000 common shares at a price of \$1.80 per share for net proceeds, after share issue expenses, of \$5,621,000. The common shares were issued by way of a private placement. Bulldog's directors, officers, employees and their immediate families purchased 465,000 of these common shares (a total of \$837,000). The financing closed on April 4, 2006.

On November 29, 2005 Bulldog raised \$4.0 million through a private placement of 4,000,000 common shares at a price of \$1.00 per share (2,000,000 of these shares were issued on a flow-through basis for income taxes purposes). All of these common shares were subscribed for by Bulldog's directors, officers, employees and members of their immediate families. Pursuant to the terms of escrow agreements between each of the subscribers and the escrow agent, the 4,000,000 common shares are subject to an 18 month escrow. These shares are releasable in tranches of one third with the final release on May 29, 2007.

## Management's Discussion & Analysis

### FINANCIAL RISKS

Financial risks that are not within Bulldog's control include the fluctuation in commodity prices and foreign exchange, provincial and federal regulations, royalties, taxes and interest rates. Bulldog is exposed to foreign currency fluctuations as crude oil prices received are referenced to U.S. dollar denominated prices. Bulldog is also exposed to floating interest rates on bank borrowings. Bulldog continually monitors its exposure to financial risks. To date, Bulldog has not employed financial instruments to mitigate these risks and presently does not contemplate doing so.

A substantial portion of Bulldog's accounts receivable are with customers and joint venture partners in the oil and natural gas industry and are subject to normal industry credit risks. Normal settlement terms are 30 days. We are exposed to credit risk on our commodity price risk management contracts due to the potential for non-performance by the counter parties. We mitigate this risk by only dealing with well established marketing companies or major financial institutions.

Bulldog endeavors to manage certain risks by focusing on controlling its cost structure and implementing the strategy of focusing on core areas and specific geological targets to control capital exposure risk.

### NEW ACCOUNTING PRONOUNCEMENTS

The CICA issued new accounting standards, CICA Accounting Standard Handbook Section 3855, "*Financial Instruments Recognition and Measurement*", Section 3865 "*Hedges*" and Section 1530 "*Comprehensive Income*" effective for fiscal years beginning on or after October 1, 2006. These standards prescribe how and at what amount financial assets, financial liabilities and non-financial derivatives are to be recognized on the balance sheet. The standards prescribe fair value in some cases while cost-based measures are prescribed in other cases. It also specifies how financial instrument gains and losses are to be presented.

Bulldog has not, and currently does not contemplate doing so, entered into financial and non-financial derivative instrument contracts to hedge potential exposures to changes in commodity prices, foreign exchange rates, interest rates or other operational risks. As a result, Bulldog does not currently expect that the adoption of these new standards will have any effect on its 2007 consolidated financial statements.

### DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures have been designed to ensure that relevant and accurate information needed to comply with Bulldog's continuous disclosure obligations is accumulated and summarized to allow timely decisions regarding disclosure and to ensure that the risk of a material error or fraud is minimal. Management has concluded that Bulldog's disclosure controls and procedures, as of the end of the period covered by the annual filings, are effective in ensuring that material information is accumulated and disclosed accurately. Bulldog's management believes that "cost effective" disclosure controls and procedures can only provide reasonable assurance, and not absolute assurance, that the objectives of the controls and procedures are met.

## Management's Discussion & Analysis

### INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Chief Executive Officer and Chief Financial Officer of Bulldog are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. Management has designed internal controls over financial reporting as of December 31, 2006.

There is substantial overlap in systems and controls between the definition of disclosure controls and procedures and internal controls over financial reporting. We have designed controls for this process and have conducted an evaluation which has identified several potential weaknesses in Bulldog's controls. During the review of the design of internal controls over financial reporting it was noted that:

- 7 due to the limited number of staff at Bulldog it is not feasible to achieve complete segregation of incompatible duties; and
- 7 the limited number of staff has also led us identify a weakness with respect to accounting for complex and non-routine accounting transactions as Bulldog may not have a sufficient number of finance personnel with technical accounting knowledge to address all complex and non-routine accounting matters that may arise.

Neither of these weaknesses has resulted in a misstatement in our interim or annual financial statements. Several internal controls over financial reporting have been designed which provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements. The CEO and the CFO have been with Bulldog since its inception and have extensive industry experience. They are aware of and actively involved in Bulldog's ongoing operating and financial activities.

While there is an inherent weakness in internal controls over financial reporting due to the limited number of staff, the capabilities and involvement of the CEO and CFO serve to mitigate this structural weakness. Their efforts together with the board of directors, are directed to minimize the risk of a material misstatement in financial reporting. However, any internal control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

## Management's Discussion &amp; Analysis

## SELECTED QUARTERLY INFORMATION

(\$ in thousands except production volumes and per share amounts)

	Q4	Q3	Q2	Q1	Total 2006	2005 <sup>(1)</sup>
Production volumes						
Oil (barrels per day)	1,256	1,060	549	309	797	180
Gas (mcf per day)	30	28	36	29	31	34
BOE per day	1,261	1,064	555	314	802	186
Capital expenditures	\$ 7,966	\$ 5,720	\$ 3,901	\$ 2,576	\$ 20,163	\$ 362
Revenue	\$ 7,123	\$ 7,235	\$ 3,733	\$ 1,732	\$ 19,823	\$ 366
Funds flow from operations	\$ 5,281	\$ 5,567	\$ 2,829	\$ 1,059	\$ 14,736	\$ 99
Per share						
Basic	\$ 0.21	\$ 0.23	\$ 0.12	\$ 0.05	\$ 0.61	\$ 0.01
Diluted	\$ 0.20	\$ 0.22	\$ 0.11	\$ 0.05	\$ 0.58	\$ 0.01
Net earnings (loss)	\$ 2,296	\$ 3,012	\$ 1,635	\$ 327	\$ 7,270	\$ (33)
Per share						
Basic	\$ 0.09	\$ 0.13	\$ 0.06	\$ 0.02	\$ 0.30	\$ 0.00
Diluted	\$ 0.09	\$ 0.13	\$ 0.06	\$ 0.01	\$ 0.29	\$ 0.00
Working capital	\$ 5,035	\$ 6,830	\$ 6,983	\$ 2,434	\$ 5,035	\$ 3,951
Total assets	\$ 36,347	\$ 27,984	\$ 22,038	\$ 12,602	\$ 36,347	\$ 10,092
Total liabilities	\$ 14,861	\$ 8,945	\$ 6,162	\$ 4,270	\$ 14,861	\$ 1,432
Shareholders' equity	\$ 21,486	\$ 19,039	\$ 15,876	\$ 8,332	\$ 21,486	\$ 8,660
Common shares outstanding	24,959	24,959	24,959	21,581	24,959	21,581

(1) Bulldog commenced operations on Nov. 30, 2005 and 2005 represents one month of operations.

There are four principal reporting documents that Bulldog must prepare and file on an annual basis:

- 1) Audited financial statements;
- 2) Management's Discussion & Analysis (MD&A);
- 3) Annual Information Form (AIF); and
- 4) Information Circular.

The first two of these documents are set out in this Report which together with the last item is mailed to shareholders.

All of these documents are available upon request to Bulldog. They may also be retrieved electronically from the SEDAR website ([www.sedar.com](http://www.sedar.com)) or from Bulldog's website ([www.bulldogresources.ca](http://www.bulldogresources.ca)).

March 14, 2007



Consolidated  
Financial  
Statements

## Financial Reports

### MANAGEMENT'S REPORT

#### TO: THE SHAREHOLDERS OF BULLDOG RESOURCES INC.:

These consolidated financial statements are the responsibility of the Management of Bulldog Resources Inc. ("Bulldog"). They have been prepared in accordance with Canadian generally accepted accounting principles using Management's best estimates and judgements, where appropriate.

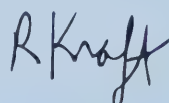
Management is responsible for the reliability and integrity of the consolidated financial statements, notes to the consolidated financial statements and other financial information contained in this report. Estimates are sometimes necessary in the preparation of these statements because a precise determination of some assets and liabilities depends on future events. Management has based these estimates on careful judgments and believes they are properly reflected in the accompanying consolidated financial statements. Management is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded and that accounting systems provide timely, accurate and reliable financial information.

The Board of Directors of Bulldog is responsible for ensuring that Management fulfills its responsibilities for financial reporting and internal controls through its Audit Committee which is comprised of independent Directors and meets at least every quarter. The Board also meets with Management to ensure that Management's responsibilities are fulfilled, to review consolidated financial statements and to recommend approval of the consolidated financial statements. The Board of Directors has approved the consolidated financial statements. An independent auditor, KPMG LLP, has audited the financial statement of Bulldog in accordance with Canadian generally accepted auditing standards and has provided an independent opinion.



KENNETH D. MCKAY, P.GEOL.

President  
and Chief Executive Officer



ROBERT E. KRAFT, C.A.

Chief Financial Officer

March 14, 2007

## Financial Reports

## AUDITORS' REPORT

## TO THE SHAREHOLDERS OF BULLDOG RESOURCES INC.:

We have audited the consolidated balance sheets of Bulldog Resources Inc. as at December 31, 2006 and 2005 and the consolidated statements of earnings and retained earnings and cash flows for the year ended December 31, 2006 and for the period from incorporation on October 24, 2005 to December 31, 2005. These consolidated financial statements are the responsibility of Bulldog's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Bulldog as at December 31, 2006 and 2005 and the results of its operations and its cash flows for the year ended December 31, 2006 and for the period from incorporation on October 24, 2005 to December 31, 2005 in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads "KPMG LLP". The letters are stylized and slanted to the right.

Chartered Accountants

Calgary, Alberta

March 14, 2007

## Consolidated Financial Statements

## CONSOLIDATED BALANCE SHEETS

As at December 31, 2006 and 2005

(Cdn \$ in thousands)

	Pro forma December 31, 2006 (unaudited see note 15)	December 31, 2006	December 31, 2005 (note 1)
<b>ASSETS</b>			
Current assets			
Cash and term deposits	\$ —	\$ 8,604	\$ 4,289
Accounts receivable	3,817	3,817	577
Joint interest receivable (note 5)	450	450	—
Prepaid expenses	185	185	41
	4,452	13,056	4,907
Joint interest receivable (note 5)	890	890	—
Property, plant and equipment (note 3)	47,108	22,401	5,185
	\$ 52,450	\$ 36,347	\$ 10,092
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Current liabilities			
Accounts payable and accrued liabilities	\$ 7,298	\$ 7,121	\$ 956
Pipeline liability (note 5)	900	900	—
Bank debt (note 4)	4,598	—	—
	12,796	8,021	956
Pipeline liability (note 5)	1,780	1,780	—
Asset retirement obligations (note 6)	1,008	705	367
Future income taxes (note 7)	4,205	4,355	109
Shareholders' equity			
Share capital (note 8)	24,859	13,684	8,655
Contributed surplus (note 9)	565	565	38
Retained earnings (deficit)	7,237	7,237	(33)
	32,661	21,486	8,660
	\$ 52,450	\$ 36,347	\$ 10,092

Commitments (notes 5 and 14)

Subsequent Events (notes 4, 5 and 15)

*See accompanying notes to the consolidated financial statements.*

Approved on behalf of the Board:



JOHN A. THOMSON, C.A.

Director

&amp; Chairman of the Audit Committee



CLAUDIO A. GHERINICH, P. ENG.

Director

## Consolidated Financial Statements

## CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

For the year ended December 31, 2006 and period from October 24, 2005 to December 31, 2005

(Cdn. \$ in thousands)

	Year ended December 31, 2006	Period from October 24, 2005 to December 31, 2005 (note 1)
Oil and gas revenue	\$ 19,823	\$ 366
Royalties	(2,831)	(77)
Transportation expenses	(431)	(10)
Production expenses	(585)	(28)
	15,976	251
Other Expenses		
General and administrative	1,455	107
Stock-based compensation (note 9)	398	38
Depletion, depreciation and accretion	3,490	125
	5,343	270
Other income		
Interest income	215	—
Earnings (loss) before income taxes	10,848	(19)
Income taxes (note 7)		
Current income taxes	—	45
Future income taxes (recovery)	3,578	(31)
	3,578	14
Net earnings (loss)	7,270	(33)
Retained earnings (deficit), beginning of period	(33)	—
Retained earnings (deficit), end of period	\$ 7,237	\$ (33)
Net earnings (loss) per share (note 10)		
Basic	\$ 0.30	\$ (0.00)
Diluted	\$ 0.29	\$ (0.00)

See accompanying notes to the consolidated financial statements.

## Consolidated Financial Statements

## CONSOLIDATED STATEMENTS OF CASH FLOWS

For the year ended December 31, 2006 and period from October 24, 2005 to December 31, 2005

(Cdn. \$ in thousands)

	Year ended December 31, 2006	Period from October 24, 2005 to December 31, 2005 (note 1)
Cash provided by (used in):		
Operations activities		
Net earnings (loss) for the period	\$ 7,270	\$ (33)
Items not involving cash:		
Depletion, depreciation and accretion	3,490	125
Future income taxes (recovery)	3,578	(31)
Stock-based compensation	398	38
	14,736	99
Change in non-cash operations working capital (note 13)	(949)	(31)
	13,787	68
Financing activities		
Issue of common shares, net of issue costs	5,621	4,000
Investing activities		
Expenditures on property, plant and equipment	(18,823)	(362)
Change in non-cash investing working capital (note 13)	3,730	376
Cash acquired under Plan of Arrangement (note 1)	—	207
	(15,093)	221
Increase in cash and term deposits	4,315	4,289
Cash and term deposits, beginning of period	4,289	—
Cash and term deposits, end of period	\$ 8,604	\$ 4,289

See accompanying notes to the consolidated financial statements.

Supplementary cash flow information (note 13)

## Notes to the Consolidated Financial Statements

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended December 31, 2006 and Period from October 24, 2005 to December 31, 2005*

(Tabular amounts in Cdn. in \$ thousands)

## 1. COMMENCEMENT OF OPERATIONS AND BASIS OF PRESENTATION

## COMMENCEMENT OF OPERATIONS

Bulldog Resources Inc. ("Bulldog") was incorporated under the Business Corporations Act (Alberta) on October 24, 2005 and commenced operations on November 30, 2005 upon completion of the Plan of Arrangement ("Arrangement") involving Bulldog Energy Inc. ("Bulldog Energy") and its subsidiaries and Crescent Point Energy Trust. Under the Plan of Arrangement, through a series of transactions, shareholders of Bulldog Energy received units of Crescent Point Energy Trust and common shares of Bulldog. In addition a portion of Bulldog Energy's net assets were transferred to Bulldog on November 29, 2005. At the time of the Arrangement, Bulldog and Bulldog Energy were related companies resulting in a transfer of assets being recorded at their carrying values as follows:

Net assets received :	
Property, plant and equipment	\$ 4,946
Cash	207
Accounts receivable and income taxes receivable	409
Accounts payable	(402)
Asset retirement obligations	(365)
Future income taxes	(140)
Common share equity (note 8)	\$ 4,655

Bulldog's principal business activity is the exploration, exploitation, development and production of petroleum and natural gas reserves in Western Canadian Sedimentary Basin.

## BASIS OF PRESENTATION

The consolidated financial statements include the accounts of Bulldog, its wholly owned subsidiary Bulldog Ventures Ltd. and Bulldog Partnership. These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles, which require management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The amounts recorded for depletion, depreciation and accretion, stock based compensation and the provision for asset retirement obligations are based on estimates. The ceiling test is based oil and gas reserve estimates, oil and gas prices, future costs and other assumptions. The calculation of future income taxes is based on various assumptions, which are subject to uncertainty as to timing and tax rates which apply to temporary differences. By their nature, these estimates are subject to measurement uncertainty and the effect on the consolidated financial statements of changes of such estimates in future periods could be significant. The comparative information is for the period from incorporation on October 24, 2005 to December 31, 2005.

## Notes to the Consolidated Financial Statements

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### (A) JOINT INTEREST ACCOUNTING

A portion of Bulldog's exploration, development and production activities are conducted jointly with others. These consolidated financial statements reflect only Bulldog's proportionate interest in such joint activities.

#### (B) CASH AND CASH EQUIVALENTS

Cash and term deposits include monies on deposit and short term investments consisting of banker's acceptances. These banker acceptances have a term of less than 90 days.

#### (C) PETROLEUM AND NATURAL GAS PROPERTIES AND EQUIPMENT

Bulldog follows the full cost method of accounting for petroleum and natural gas operations, whereby all costs related to the acquisition, exploration and development of petroleum and natural gas reserves are capitalized in a single Canadian cost center. Such costs include lease acquisition costs, geological and geophysical costs, carrying charges of non-producing properties, costs of drilling both productive and non-productive wells, the cost of petroleum and natural gas equipment and overhead charges directly related to exploration and development activities.

Proceeds from the disposition of petroleum and natural gas properties and equipment are applied against capitalized costs except for dispositions that would change the rate of depletion and depreciation by 20 percent or more, in which case a gain or loss would be recorded.

The costs of acquiring unproved properties are initially excluded from capitalized costs in the calculation of depletion and depreciation expense. These properties are assessed periodically to ascertain whether valuation impairment has occurred. When proven reserves are assigned to such properties or valuation impairment has occurred, the costs of the properties are included in capitalized costs for purposes of the depletion and depreciation expense calculation.

Capitalized costs, plus estimated future development expenditures less estimated future salvage values, are recognized as depletion and depreciation expense using the unit-of-production method based upon estimated proven reserves (before deduction of royalties) as determined by independent reserve consultants. For purposes of this calculation, natural gas reserve and production volumes are converted to equivalent volumes of oil based upon the energy equivalency ratio of six thousand cubic feet of natural gas to one barrel of oil.

Bulldog periodically assesses the carrying value of its property plant and equipment to determine if the carrying value is in excess of the estimated value of future cash flows ("impairment"). The assessment is a two part process which is to be performed at least annually ("ceiling test").

The first part, the recognition of impairment, is determined by comparing the carrying amount of property, plant and equipment to the undiscounted cash flows expected to result from Bulldog's proved reserves using future product prices. If there is impairment, the second part of the calculation would measure the magnitude of the impairment by comparing the carrying amount of property, plant and equipment to the estimated net present value of future pre-tax cash flows from proved plus probable reserves and the sale of unproved properties. Cash flows are estimated using future product prices and costs and are discounted using a risk free interest rate. Any excess carrying value above the net present value of the future cash flows would be recorded as a permanent impairment and charged as additional depletion and depreciation expense in the statement of earnings.

## Notes to the Consolidated Financial Statements

### (D) REVENUE RECOGNITION

Petroleum and natural gas revenues are recognized when title passes from Bulldog to its customers.

### (E) ASSET RETIREMENT OBLIGATIONS

The fair value of estimated asset retirement obligations is recognized as a liability on the consolidated balance sheet in the period in which it is incurred based upon discounted values (using Bulldog's credit adjusted risk-free interest rate) of anticipated future expenditures required to pay for such obligations. Such estimates vary from year to year and are accounted for as follows:

- (i) Increases resulting from the passage of time are recognized as accretion expense in the consolidated statement of earnings.
- (ii) Revisions resulting from changes to estimates or timing of future expenditures to pay for such obligations are recorded as an increase or decrease to the liability on the consolidated balance sheet.
- (iii) Actual expenditures incurred in respect of asset retirements are recorded as a reduction of the liability on the consolidated balance sheet.

When an asset retirement obligation is recorded, an equivalent amount, the asset retirement cost, is capitalized as part of petroleum and natural gas properties. Such costs are amortized on the same basis as other capitalized costs with the expense included in depletion and depreciation expense.

### (F) STOCK-BASED COMPENSATION

Bulldog has a stock-based compensation plan consisting of performance warrants and stock options which is described in Note 8. Performance warrants and stock options granted to directors, officers and employees are accounted for in accordance with the fair value method of accounting for stock-based compensation. The fair value of performance warrants and stock options granted is determined by the Black-Scholes option pricing model and assumptions regarding interest rates, volatility of Bulldog's common shares, and expected life of the performance warrants and stock options.

The fair value is expensed in the consolidated statement of earnings over the vesting period with a corresponding increase to contributed surplus. Upon the exercise of the performance warrants and stock options, consideration received together with the amount previously recognized in contributed surplus will be recorded as an increase to share capital.

### (G) FLOW-THROUGH SHARES

Bulldog has financed a portion of its exploration and development activities through the issuance of common shares on a flow through basis for income tax purposes. The resource expenditure deductions normally available to Bulldog for income tax purposes from such activities are renounced to the investors in accordance with income tax legislation. Bulldog's recorded amounts for future income taxes and share capital are adjusted by the estimated income tax effect of the deductions when renounced to the investors.

## Notes to the Consolidated Financial Statements

## (H) FUTURE INCOME TAXES

Bulldog uses the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are calculated based on the estimated tax effects of temporary differences between the carrying value of assets and liabilities in the consolidated financial statements and their respective tax bases. Future income tax assets or liabilities are calculated using tax rates anticipated to apply in the periods that the temporary differences are expected to reverse. The effect of a change in income tax rates on the future income tax assets and liabilities is recognized in income in the period in which the change occurs.

## (I) PER SHARE INFORMATION

Per share information is calculated on the basis of the weighted average number of common shares outstanding during the fiscal period. Diluted per share information reflects the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted to common shares. Diluted per share information is calculated using the treasury stock method that assumes any proceeds received by Bulldog upon the exercise of "in-the-money" performance warrants would be used to buy back common shares at the average market price for the period.

## 3. PROPERTY, PLANT AND EQUIPMENT

	Pro forma December 31, 2006	December 31, 2006	December 31, 2005
	(unaudited see note 15)		
Property, plant and equipment	\$ 50,680	\$ 25,973	\$ 5,308
Accumulated depletion and depreciation	(3,572)	(3,572)	(123)
Net book value	\$ 47,108	\$ 22,401	\$ 5,185

During the year ended December 31, 2006, Bulldog capitalized general and administrative costs of \$887,000 which is included in property, plant and equipment (\$63,000 for the period from October 24, 2005 to December 31, 2005). During the year ended December 31, 2006 Bulldog capitalized to property, plant and equipment a total of \$205,000 comprised of \$129,000 of stock based compensation and the related future income taxes of \$76,000 (\$nil for the period from October 24, 2005 to December 31, 2005).

As at December 31, 2006 a total of \$3,388,000 of land and seismic expenditures associated with unproven properties were excluded from capitalized costs subject to depletion and depreciation expense (\$1,510,000 for the period from October 24, 2005 to December 31, 2005). Estimated future development costs on proved reserves of \$6,557,000 as at December 31, 2006 are included in the calculation of depletion and depreciation (\$475,000 for the period from October 24, 2005 to December 31, 2005). Estimated salvage values of \$1,644,000 reduced the costs of equipment subject to depreciation (\$303,000 for the period from October 24, 2005 to December 31, 2005).

## Notes to the Consolidated Financial Statements

For ceiling test calculation purposes, the following independently forecasted benchmark oil prices were used in determining estimated future cash flows. These benchmark oil prices were adjusted for quality and transportation differentials applicable to Bulldog's reserves.

	Edmonton Light Crude Oil \$Cdn/bbl
2007	70.25
2008	68.00
2009	65.75
2010	64.50
2011	64.50
2012	65.00
2013	66.25

Oil prices are escalated at 2 percent per annum after 2013.

### 4. BANK DEBT

At December 31, 2006 Bulldog had a \$7 million revolving operating loan credit facility and a \$1 million non revolving acquisition development credit facility with a Canadian bank. The revolving operating loan and acquisition development credit facilities had interest at the bank's prime rate plus 0.50 percent and 0.75 percent per annum respectively. At December 31, 2006, these credit facilities were undrawn.

In January 2007, Bulldog's revolving operating loan credit facility was increased to \$25 million. The revised revolving operating loan and acquisition development credit facilities bear interest at the bank's prime rate plus 0.25 percent or bankers acceptances plus 1.25 percent per annum. The revised \$1 million acquisition development credit facility bears interest at the bank's prime rate plus 0.50 percent per annum. Borrowings under these facilities are payable on demand. The assets of Bulldog are pledged as security for these credit facilities pursuant to a general security agreement and a floating charge debenture. The credit facilities are limited to a borrowing base as determined by the bank and are subject to periodic reviews by the bank. The next review is scheduled on or before May 31, 2007.

In the pro forma December 31, 2006 balance sheet, \$4.6 million was drawn under Bulldog's revolving operating demand loan facility to complete oil asset acquisitions (see note 15).

### 5. PIPELINE LIABILITIES AND JOINT INTEREST RECEIVABLES

#### (A) OIL PIPELINE

In the fourth quarter of 2006 a third party constructed for Bulldog and its joint interest partner a pipeline to transport oil from the Fertile battery located in Southeast Saskatchewan. Under the terms of the agreement:

- (i) Bulldog has, as operator of the property, incurred an estimated liability to the third party of \$2,680,000.
- (ii) the oil pipeline liability will be settled by an oil volume tariff, with the tariff rate resulting in a minimum annual reduction of 20 percent of the original oil pipeline liability. The initial oil volume tariff is less than Bulldog's 2006 fourth quarter average oil trucking expense of \$1.54 per barrel.

## Notes to the Consolidated Financial Statements

(iii) the following table summarizes the estimated yearly reductions in the oil pipeline liability over the five year period:

2007	\$ 956
2008	759
2009	598
2010	486
2011	325
Total	3,124
Imputed interest (6.5% per annum)	(444)
Oil pipeline liability	\$ 2,680

Bulldog's share of the oil pipeline liability net of its joint interest partners 50% share totals \$1,340,000 and this amount has been recorded as an addition to property, plant and equipment.

## (B) NATURAL GAS PIPELINE

In August 2006 Bulldog entered into an agreement for a third party to construct for Bulldog and its joint interest partner a natural gas pipeline required to transport and market natural gas from its Fertile property. The estimated gross cost of this pipeline is expected to be \$2,600,000 (Bulldog's 50% net share is \$1,300,000). Upon completion of the natural gas pipeline, Bulldog will record the actual gross costs as a liability with a corresponding addition of 50% thereof to joint interest receivables and the balance to property plant and equipment. Construction commenced in January 2007 and is expected to be completed by the end of the first quarter of 2007. Bulldog's natural gas pipeline liability will be settled by the delivery of natural gas and liquids production "in kind" from the Fertile property over a period not exceeding 18 months. The natural gas and liquids production will be recorded as revenue at the prevailing prices when delivered. Any remaining liability after the 18 months period will be settled by a cash payment. After the third party recovers its' costs of the pipeline, the third party will retain 20% of all future natural gas production and 50% of all future liquids production. The remaining 80% balance of natural gas and 50% of the liquids production will be shared by Bulldog and its' joint interest partner according to their respective working interests in the production.

## (C) JOINT INTEREST RECEIVABLES

Bulldog's joint interest partner in the Fertile property has agreed to be responsible for all terms and conditions of the above noted oil and natural gas pipeline agreements related to their 50 percent working interest in this property. As at December 31, 2006 a total of \$1,340,000 had been recorded as a joint interest receivable related to the oil pipeline.

The following summarizes Bulldog's oil pipeline liability and the related joint interest receivable as at December 31, 2006:

	Oil pipeline liability	Joint interest receivable
Third party commitment	\$ 2,680	\$ 1,340
Less: current portion	(900)	(450)
Non-current portion	\$ 1,780	\$ 890

The current portion of the oil pipeline liability represents the discounted value of the oil tariff for 2007.

## Notes to the Consolidated Financial Statements

## 6. ASSET RETIREMENT OBLIGATIONS

The future asset retirement obligations were estimated based on Bulldog's net ownership in all wells and facilities, the estimated costs to abandon and reclaim the wells and facilities and the estimated timing of the costs to be incurred in future periods. As at December 31, 2006, the total undiscounted amount of the estimated cash flows required to settle the asset retirement obligations is approximately \$1.1 million which will be incurred over the next 15 years, with the majority of the expenditures to be incurred by 2018. A credit adjusted risk-free rate of eight percent and an inflation rate of two percent was used to calculate the fair value of the asset retirement obligations.

Changes to asset retirement obligations were as follows:

	December 31, 2006	December 31, 2005
Balance, beginning of period	\$ 367	\$ —
Acquired under Plan of Arrangement (note 1)	—	365
Increase in liabilities	315	—
Accretion expense	41	2
Change in estimates	(18)	—
Balance, end of period	\$ 705	\$ 367

## 7. INCOME TAXES

The provision for income taxes differs from the amount which would be obtained by applying the combined federal and provincial statutory income tax rate to the earnings (loss) as follows:

	Year ended December 31, 2006	Period from October 24 to December 31, 2005
Earning (loss) before income taxes	\$ 10,848	\$ (19)
Statutory income tax rate	37.06%	38.35%
Expected income tax	4,020	(7)
Increase (decrease) resulting from:		
Non-deductible crown payments	77	14
Resource allowance	(145)	(13)
Non-deductible stock based compensation	147	14
Change in statutory income tax rates	(521)	6
Total income tax provision	\$ 3,578	\$ 14
Provision for income taxes		
Current income taxes	\$ —	\$ 45
Future income taxes	3,578	(31)
	\$ 3,578	\$ 14

## Notes to the Consolidated Financial Statements

The components of the future income tax balances are as follows:

	December 31, 2006	December 31, 2005
Future income tax asset		
Asset retirement obligations	\$ (212)	\$ (141)
Share issue costs	(116)	—
Future income tax liability		
Property, plant and equipment carrying value in excess of tax value	1,017	250
Partnership income deferred for income tax purposes	3,666	—
Net future income tax liability	\$ 4,355	\$ 109

## 8. SHARE CAPITAL

### AUTHORIZED:

Unlimited number of Class A preferred shares

Unlimited number of common voting shares

### ISSUED AND OUTSTANDING COMMON SHARES:

(Cdn \$ in thousands except share amounts)	Number	Amount
Balance October 24, 2005	—	\$ —
Issues during the period:		
Incorporation	1	—
Pursuant to Plan of Arrangement (note 1)	17,581,201	4,655
Private placement	4,000,000	4,000
Balance December 31, 2005	21,581,202	8,655
Changes during the year:		
Issued upon private placement	3,378,000	6,080
Tax effect of flow-through shares issued in 2005	—	(741)
Share issue costs, net of tax benefits of \$149	—	(310)
Balance December 31, 2006	24,959,202	13,684
Subsequent event (see note 15)		
Acquisition of oil assets	2,500,000	11,175
Pro forma balance December 31, 2006	27,459,202	\$ 24,859

On November 29, 2005 Bulldog raised \$4.0 million through a private placement of 4,000,000 common shares at a price of \$1.00 per share (2,000,000 of these shares were issued on a flow-through basis for income taxes purposes). All of these common shares were subscribed for by Bulldog's directors, officers, employees and members of their immediate families. Pursuant to the terms of escrow agreements between each of the subscribers and the escrow agent, the 4,000,000 common shares are subject to an 18 month escrow. These shares are releasable in tranches of one third with the final release on May 29, 2007. In February 2006, Bulldog renounced \$2.0 million of Canadian Exploration Expenditures effective December 31, 2005 related to the common shares issued on a flow-through basis. Bulldog incurred the required qualifying expenditures in 2006.

## Notes to the Consolidated Financial Statements

On March 13, 2006 Bulldog entered into a bought deal financing agreement with a syndicate of underwriters to issue 3,378,000 common shares at a price of \$1.80 per share for net proceeds, after share issue expenses, of \$5,621,000. The common shares were issued by way of a private placement. Bulldog's directors, officers, employees and their immediate families purchased 465,000 of these common shares (a total of \$837,000). The financing closed on April 4, 2006.

### COMMON SHARES RESERVED FOR ISSUE:

#### Performance Warrants

On November 29, 2005 Bulldog issued 1,875,000 performance warrants with a two year vesting period and an expiry date of November 29, 2010. Vested performance warrants are only exercisable if Bulldog's common shares achieve an average trading price over a 30 day period of \$1.50 per share for the first trench totaling 975,000 of the performance warrants, and \$2.00 per share for the remaining 975,000 performance warrants. Both of these average share price vesting parameters were met by April 2006. As at December 1, 2006 a total of 975,000 performance warrants were vested and exercisable.

The remaining balance of 975,000 performance warrants shall vest and become exercisable if the holder continues to be a director, officer or employee as at December 1, 2007.

#### Stock Options

Under the Arrangement, the shareholders also approved Bulldog's stock option plan. The number of common shares reserved for stock options granted under the stock option plan, together with any common shares reserved for issuance pursuant to the exercise of the performance warrants, may not be more than 10% of the aggregate number of the then issued and outstanding common shares. As a result, the 2,495,920 Common Shares authorized for issuance pursuant to the stock option plan of Bulldog as at December 31, 2006 is reduced by the 1,875,000 Common Shares issuable on the exercise of the performance warrants. The stock options granted have a term of five years from the date of grant and vest as to one-third on each of the first, second and third anniversaries of the date of grant.

The exercise price is equal to the average trading price of Bulldog's common shares on the Toronto Stock Exchange for the five days preceding the date of the grant.

The following table summarizes stock options standing as at December 31, 2006.

	Number of stock options	Exercise price per share	Remaining life (years)	Stock options exercisable at year end
Balance December 31, 2005	—	—	—	—
Granted June 27, 2006	432,500	\$ 2.19	4.5	—
Balance December 31, 2006	432,500	\$ 2.19	4.5	—

## Notes to the Consolidated Financial Statements

### 9. STOCK BASED COMPENSATION

Bulldog has recorded stock-based compensation for all the performance warrants and options granted. For purposes of calculating stock-based compensation expense it was assumed that 100 percent of the stock options and performance warrants would vest. The compensation expense is recognized over the vesting period of the performance warrants and stock options. During the year ended December 31, 2006, \$527,000 was recognized as stock based compensation (\$38,000 for the period from October 24, 2005 to December 31, 2005). The per share fair value of the stock options granted on June 27, 2006 and the performance warrants granted in December 2005 were estimated based on the date of grant using the Black-Scholes option pricing model with the following assumptions:

	Stock options	Performance warrants
Risk free interest rate (%)	4.28	3.90
Expected life (years)	5	5
Expected volatility (%)	50	50
Expected dividends (%)	—	—
Grant-date fair value	\$ 1.06	\$ 0.48

### CONTRIBUTED SURPLUS

	Year ended December 31, 2006	Period from October 24 to December 31, 2005
Balance, beginning of period	\$ 38	\$ —
Stock-based compensation expensed	398	38
Stock-based compensation capitalized	129	—
Balance, end of period	\$ 565	\$ 38

### 10. NET EARNINGS (LOSS) PER SHARE

The following table summarizes the weighted average common shares outstanding used in calculating net earnings (loss) per common share:

	Year ended December 31, 2006	Period from October 24 to December 31, 2005
Weighted average number of common shares	24,089,251	10,008,673
Dilutive effect of stock options	117,166	—
Dilutive effect of performance warrants	1,247,910	—
Weighted average number of diluted common shares	25,454,327	10,008,673

The weighted average number of common shares in 2005 is calculated based on one common share outstanding for the period October 24 to November 29, 2005 and 21,581,202 common shares outstanding for the period November 30 to December 31, 2005. There was no dilutive effect resulting from the outstanding performance warrants for the period from October 24, 2005 to December 31, 2005.

## Notes to the Consolidated Financial Statements

## 11. RELATED PARTY TRANSACTIONS

In the third quarter of 2006 Bulldog entered into a joint venture agreement with a company whose President is the Chairman of the Board of Bulldog. Under the terms of the agreement, Bulldog participated in a drilling program in Southeast Saskatchewan under terms that were negotiated and are industry standard. In 2006 Bulldog incurred \$742,000 of capital expenditures under this joint venture agreement.

A director of Bulldog is a partner in a law firm that provides legal services to Bulldog related to administrative activities and share issue costs, which totaled \$164,000 for the year, ended December 31, 2006 (\$7,000 for the period from October 24, 2005 to December 31, 2005).

## 12. FINANCIAL INSTRUMENTS

## (A) COMMODITY PRICE RISK MANAGEMENT

There were no financial instruments in place to manage commodity prices during the year ended December 31, 2006.

## (B) FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of accounts receivable, joint interest receivable, accounts payable and accrued liabilities and the pipeline liability approximated their fair values as at December 31, 2006 and 2005.

## (C) CREDIT RISK

Bulldog's accounts receivable are with customers and joint interest partners in the petroleum and natural gas industry and are subject to normal credit risks. Bulldog sells substantially all of its production to one purchaser under normal industry sale and payment terms. Amounts receivable from joint interest partners are recoverable from production and, accordingly, Bulldog views credit risks on these amounts as minimal.

## 13. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital were comprised of the following:

	Year ended December 31, 2006	Period from October 24 to December 31, 2005
Accounts receivable	\$ (3,240)	\$ (168)
Prepaid expenses	(144)	(41)
Accounts payable and accrued liabilities	6,165	554
Net change	\$ 2,781	\$ 345
Net change by activity:		
Operating	\$ (949)	\$ (31)
Investing	3,730	376
Net change	\$ 2,781	\$ 345

Bulldog received on a cash basis interest income totaling \$203,000 during the year ended December 31, 2006 (nil for the period October 24, 2005 to December 31, 2005).

## Notes to the Consolidated Financial Statements

Current income tax payments of \$45,000 were incurred by a wholly owned subsidiary of Bulldog for the period from November 30, 2005 to December 31, 2005.

### 14. COMMITMENTS

At December 31, 2006 Bulldog had an office space lease commitment through to June 2011 totaling \$623,000 (2007- \$130,000, 2008- \$134,000, 2009- \$141,000, 2010 - \$145,000 and 2011- \$73,000).

### 15. SUBSEQUENT EVENT

On January 11, 2007 Bulldog acquired, through a series of transactions with another public company, oil assets of a privately held oil and gas company whose President is the Chairman of the Board of Bulldog.

The acquisition will be accounted for under the purchase method with the operations to be included from the closing date of the acquisition on January 11, 2007. The estimated fair value of Bulldog's share of the assets acquired and the liabilities assumed is as follows, but is subject to change upon the final determination of potential post closing adjustments to the cash consideration:

Property, plant and equipment	\$ 19,968
Future income tax asset	150
Asset retirement obligations	(243)
Net assets acquired	\$ 19,875

#### Purchase consideration:

Issue of 2,500,000 common shares (ascribed value of \$4.47 per share)	\$ 11,175
Cash payment	7,000
Cash payment related to income tax pools and other adjustments	1,523
Acquisition costs	177
Total purchase consideration	\$ 19,875

The Letter of Intent, an agreement detailing the agreed upon business terms of the purchase, was executed on November 24, 2006. Bulldog's common share closing price on November 23, 2006 was \$4.00 per share resulting in the implied market value of the 2.5 million common shares to be issued totaling \$10.0 million at that time. The ascribed value of Bulldog's common shares of \$4.47 per share used in the purchase represents the estimated fair value of these shares as at the December 7, 2006 being the date of the Definitive Agreement. This ascribed share value was based on Bulldog's weighted average common share trading prices.

On January 26, 2007 Bulldog purchased additional working interests in a portion of the above noted oil assets for consideration totaling \$4,739,000, consisting of \$4,679,000 cash and the assumption of \$60,000 of asset retirement obligations. Of this total \$681,410 was paid to a company controlled by the Chairman of the Board of Bulldog.

Both of the January 11 and January 26, 2007 oil asset purchases were approved by Bulldog's board of directors with the Chairman of the Board abstaining from the vote.

## Shareholder Information

### BOARD OF DIRECTORS

**E. CRAIG LOTHIAN, LL.B.** <sup>(1)(3)</sup>

Chairman of the Board  
Regina, Saskatchewan

**CLAUDIO A. GHERSINICH, P. ENG.** <sup>(1)(2)</sup>

Calgary, Alberta

**S. BRUCE MCKAY, C.E.T.**

Calgary, Alberta

**KENNETH D. MCKAY, P. GEOL.**

Calgary, Alberta

**JAMES M. PASIEKA, LL.B.** <sup>(2)(3)</sup>

Calgary, Alberta

**JOHN A. THOMSON, C.A.** <sup>(1)(3)</sup>

Calgary, Alberta

*(1) Members of the Audit Committee*

*(2) Members of the Reserve Committee*

*(3) Members of the Governance  
& Compensation Committee*

### OFFICERS

**KENNETH D. MCKAY, P. GEOL.**

President & Chief Executive  
Officer

**S. BRUCE MCKAY, C.E.T.**

Vice President Production  
& Chief Operating Officer

**MICHAEL H. FLANAGAN, P. LAND**

Executive Vice President Land

**ROBERT E. KRAFT, C.A.**

Chief Financial Officer

### EVALUATION ENGINEERS

GLJ Petroleum

Consultants Ltd.

Calgary, Alberta

### BANKERS

**NATIONAL BANK**

Calgary, Alberta

### AUDITORS

**KPMG LLP**

Chartered Accountants

Calgary, Alberta

### SOLICITORS

**HEENAN BLAIKIE LLP**

Barristers & Solicitors

Calgary, Alberta

### STOCK EXCHANGE

**THE TSX EXCHANGE**

Symbol: **BD**

### TRANSFER AGENT

**OLYMPIA TRUST COMPANY**

Telephone (403) 261-0900

### FORWARD LOOKING INFORMATION

*Certain information presented in this annual report is of a forward looking nature. Such forward looking information involves substantial known and unknown risks and uncertainties. Most of these are beyond Bulldog's control and include: the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other producers, the availability of qualified personnel, stock market volatility, access to sufficient capital from internal and external sources, and access to field equipment and services. The reader is cautioned that assumptions used in the preparation of such information, while considered reasonable by Bulldog at the time, may prove to be incorrect. Bulldog's actual results could differ materially from those expressed in, or implied by, such forward looking information.*

For further information on Bulldog Resources Inc., please contact  
Ken McKay, President & CEO, or Rob Kraft, Chief Financial Officer by phone at (403) 266-6902, or  
e-mail at [info@bulldogresources.ca](mailto:info@bulldogresources.ca).

### BULLDOG RESOURCES INC.

Suite 805, 734 - 7th Avenue S.W., Calgary, AB, T2P 3P8

Telephone (403) 266-6902 — Facsimile (403) 264-7470

web: [www.bulldogresources.ca](http://www.bulldogresources.ca) — email: [info@bulldogresources.ca](mailto:info@bulldogresources.ca)



## 2006 ANNUAL REPORT

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Suite 805,

734 - 7th Avenue S.W.,

Calgary, AB, T2P 3P8

Telephone (403) 266-6902

Facsimile (403) 264-7470

web: [www.bulldogresources.ca](http://www.bulldogresources.ca)

email: [info@bulldogresources.ca](mailto:info@bulldogresources.ca)